

FISCAL NOTE

Bill #: SB0308

Title: Revise savings account laws

Primary

Sponsor: John Bohlinger

Status: 2nd house 2nd reading as amended

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:	\$0	\$45,055
Revenue:	\$0	(\$988,213)
Net Impact on General Fund Balance:	\$0	(\$1,033,268)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. This bill provides technical amendments to the Family Education Saving Act (1997). These amendments are expected to have a minimal impact on revenues. There are no administrative expense increases associated with this part of the bill.
2. This act is effective upon passage and approval and applies to tax years beginning after December 31, 1999.
3. For FY2001, it is estimated that there will be 171,861 K-12 students within Montana : 159,792 public; 8,672 private; and 3,397 home school.
4. There are an average of 1.5 school age children in a family, 25% of families are single parent families.
5. Apart from deductible deposits for computer related educational expenses, parents of public school and home schooled students are not expected to create K-12 education savings accounts and take deductions on behalf of their children as the amounts expended are likely to be too small to justify the effort.
6. The full allowable deduction is expected for all private school students.
7. It is estimated that 10,000 households will take the full \$400 of available deduction for the purchase of computer hardware or educational software for a total deduction of \$4,000,000.

(continued)

8. In addition to deductions for computer hardware and software, deductions for private schooled students total \$10,117,333.

9. The average marginal tax rate for all persons taking deductions is 7%.

Administrative Expenses

10. Administrative expenses are estimated to be \$12,000 in FY2001 for computer programming and operating expenses.

11. The Department of Revenue will be required to enter the data on the system, process withholding, audit, and develop reporting forms.

12. Approximately 15,781 households would qualify for the K12 education deduction.

FISCAL IMPACT:

	<u>FY2000</u> <u>Difference</u>	<u>FY2001</u> <u>Difference</u>
FTE	0	1.00
<u>Expenditures:</u>		
Personal Services	\$0	\$24,738
Operating Expenses (personal service related)	0	6,317
Operating Expenses (computer related)	0	12,000
Equipment	<u>0</u>	<u>2,000</u>
TOTAL	\$0	\$45,055
<u>Funding:</u>		
General Fund (01)	\$0	\$45,055
<u>Revenues:</u>		
General Fund (01)	\$0	(\$988,213)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	\$0	(\$1,033,268)

LONG RANGE IMPACTS:

The ongoing impact to the General fund will depend on the extent to which the deduction leads to higher private school enrollments or increased expenses billed to parents of public school children and taxpayers become more familiar with the availability of the deduction. Impacts may be expected to increase in future years.

TECHNICAL NOTES:

1. Under current Montana law, both parent and working child can claim him or her self as a dependent. In this situation the bill should point out that only the parent or child can claim the deduction and not both.